

Kentucky Power Company
KPSC Case No. 2019-00366
Commission Staff's 2nd set of Data Requests
Dated December 16, 2019

DATA REQUEST

KPSC 2_1 Confirm that Kentucky Power offers a crisis HEA program (THAW) and another HEA program that provides recurring fixed benefit amounts to eligible enrolled applicants (HEART).

RESPONSE

Confirmed.

Witness: Brian K. West

DATA REQUEST

KPSC 2_2 Explain whether Kentucky Power has prioritization rules to determine which eligible applicants can receive assistance from either the HEART or THAW programs, or whether benefits are provided to eligible applicants on a first-come-first-served basis. If there are prioritization rules, describe the prioritization rules in detail.

RESPONSE

The HEART and THAW programs are administered by Community Action Kentucky (“CAK”) and its member agencies on behalf of Kentucky Power.

THAW benefits are provided on a first-come-first-served basis.

CAK utilizes a priority system to score HEART applicants and award benefits. The factors used to rank applicants are similar to those used by CAK and its member agencies to provide weatherization assistance. The factor and corresponding points used to rank applicants are:

Household Points

- 1 Point(s) for each household member
- 10 Point(s) for each elderly and disabled family member
- 5 Point(s) for each child under the age of six

Income Points

- 3 Point(s) <75%
- 2 Point(s) 75-99%
- 1 Point(s) 100-150%

Fuel to Energy to Income Ratio

- 2 Point(s) 0-5%
- 4 Point(s) 6-14%
- 6 Point(s) 15-21%
- 8 Point(s) 22-28%
- 10 Point(s) 29-33%
- 15 Point(s) >34%
- 15 Point(s) Zero Income

Applications are taken alphabetically by the local community action agencies. The initial assignment of slots is made at the end of the initial application process (approximately mid-December of each year). This ensures that applicants with a last name starting with "Z" have the same opportunity for enrollment as a customer with a last name starting with "A."

The priority system is used to rank recipients by county for each local community action agency. Eligible participants are ranked from highest to lowest score and benefits are awarded based on the applicants' ranking. The applicant who was approved first is awarded the slot in the case of a tie.

A waiting list is developed by each participating community action agency when all slots have been awarded. In the event additional slots become available, eligible participants are placed in and awarded monthly benefits based on their score. Unfilled slots can be transferred to another county or community action agency with unmet demand.

Witness: Stevi N. Cobern

Kentucky Power Company
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DATA REQUEST

KPSC 2_3 Provide a copy of any regular reports that Community Action Kentucky (CAK) routinely provides to Kentucky Power. For example, if CAK provides weekly, monthly, and annual reports, provide one weekly, one monthly, and one annual report.

RESPONSE

Please see KPCO_R_KPSC_2_3_Attachment1 for a copy of the May 2019 HEART invoice provided by CAK to Kentucky Power.

Please see KPCO_R_KPSC_2_3_Attachment2 for a copy of the monthly reports sent by CAK to Kentucky Power.

Please see KPCO_R_KPSC_2_3_Attachment3 for a copy of the Financial Year End June 2019 Independent Audit of CAK financials.

Witness: Brian K. West

KENTUCKY POWER HOME ENERGY
HEART Program Invoice
Administration Fee
Invoice 1

Period 10/1/18-5/20/19

<u>Category</u>	<u>Current Invoice</u>	<u>YTD</u>	<u>Budget</u>	<u>%over/under</u>
CAK	10,675	10,675	10,675	100%
Contracts	26,150	26,150	51,800	50%
Total	<u>36,825</u>	<u>36,825</u>	<u>62,475</u>	

Submitted by: Susan L Young
CAK

Date: 5/20/19

Due upon receipt

Payable to: Community Action Kentucky, Inc.
101 Burch Court
Frankfort, KY 40601

HEART

	<u>Budget</u>	<u>YTD</u>	<u>Electric Slots Filled</u>	<u>Base-Load Slots Filled</u>	<u>Total Slots Filled</u>	<u>Admin Fee</u>	<u>Admin</u>
CAK							
Salaries & Fringe	4,500	4,500					
Direct Expenses	6,175	6,175					
Total	10,675	10,675					
Subcontracts							
Big Sandy	19,950		131	4	135	25	3,375
Gateway	850		28	0	28	25	700
LKLP	16,425		464	189	653	25	16,325
Middle Ky	1,625		1	0	1	25	25
Northeast Ky	12,950		180	49	229	25	5,725
Total	51,800				1,046		26,150

CASTINET Reports

KY Power - HEART Overview

Big Sandy	All-Electric			Base-Load		
	Allocated	Used	Unused	Allocated	Used	Unused
Floyd	123	9	114	59	0	59
Johnson	61	21	40	24	0	24
Magoffin	30	6	24	7	0	7
Martin	44	23	21	16	2	14
Pike	351	72	279	83	2	81
Total	609	131	478	189	4	185
Gateway	All-Electric			Base-Load		
	Allocated	Used	Unused	Allocated	Used	Unused
Morgan	6	6	0	3	0	3
Rowan	22	22	0	3	0	3
Total	28	28	0	6	0	6
LKLP	All-Electric			Base-Load		
	Allocated	Used	Unused	Allocated	Used	Unused
Knott	102	102	0	40	40	0
Leslie	71	71	0	18	18	0
Letcher	124	122	2	33	33	0
Perry	169	169	0	100	98	2
Total	466	464	2	191	189	2
Middle KY	All-Electric			Base-Load		
	Allocated	Used	Unused	Allocated	Used	Unused
Breathitt	50	1	49	15	0	15
Total	50	1	49	15	0	15
Northeast KY Community Action Agency Inc	All-Electric			Base-Load		
	Allocated	Used	Unused	Allocated	Used	Unused
Boyd	115	49	66	23	17	6
Carter	88	35	53	23	5	18
Greenup	109	50	59	67	10	57
Lawrence	70	46	24	23	17	6
Total	382	180	202	136	49	87

Agency	Benefit Type	County	Waitlist
Gateway	All-Electric	Rowan	1
LKLP	All-Electric	Knott	1
	Base-Load	Knott	1

Agency	Benefit Type
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Revenue and Expenditure Report by Element

Community Action Kentucky
 Period 7/1/2018 to 5/31/2019

Run Date: 05/20/2019
 Run Time: 9:41:35 am
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Element Code	Description	Budget	Prior Year	Current	YTD	Project Total	Un/Over	% Bud
38519 AEP 18/19		Project Period 10/1/2018 to 9/30/2019						
770119 AEP HEART 18/19								
Revenues								
41100 AEP		10,675.00	0.00	0.00	0.00	0.00	10,675.00	0.00 %
	Revenues	10,675.00	0.00	0.00	0.00	0.00	10,675.00	0.00 %
Expenses								
50000	Salaries	3,000.00	0.00	0.00	3,168.05	3,168.05	(168.05)	105.60 %
50500	Fringe Benefits	1,500.00	0.00	0.00	1,331.95	1,331.95	168.05	88.80 %
51400	Legal Fees	6,175.00	0.00	0.00	6,175.00	6,175.00	0.00	100.00 %
	Expenses	10,675.00	0.00	0.00	10,675.00	10,675.00	0.00	100.00 %
	Balance:	0.00	0.00	0.00	(10,675.00)	(10,675.00)		
	Project Revenues:	10,675.00	0.00	0.00	0.00	0.00	10,675.00	0.00%
	Project Expenses:	10,675.00	0.00	0.00	10,675.00	10,675.00	0.00	100.00%
	Project Balance:	0.00	0.00	0.00	(10,675.00)	(10,675.00)		
	Report Total:			0.00	(10,675.00)			

Revenue and Expenditure Report by Element

Community Action Kentucky
 Period 7/1/2019 to 9/30/2019

Run Date: 10/03/2019
 Run Time: 9:10:28 am
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38519 AEP 18/19		Project Period						
		10/1/2018 to 9/30/2019						
Element	Description	Budget	Prior Year	Current	YTD	ProjTotal	Un/Over	% Bud
770119 AEP HEART 18/19								
Revenues								
41100	AEP	10,675.00	10,675.00	0.00	0.00	10,675.00	0.00	100.00 %
	Revenues	10,675.00	10,675.00	0.00	0.00	10,675.00	0.00	100.00 %
Expenses								
50000	Salaries	3,000.00	3,168.05	0.00	0.00	3,168.05	(168.05)	105.60 %
50500	Fringe Benefits	1,500.00	1,331.95	0.00	0.00	1,331.95	168.05	88.80 %
51400	Legal Fees	6,175.00	6,175.00	0.00	0.00	6,175.00	0.00	100.00 %
	Expenses	10,675.00	10,675.00	0.00	0.00	10,675.00	0.00	100.00 %
	Balance:	0.00	0.00	0.00	0.00	0.00		
770219 AEP Agencies HEART 18/19								
Revenues								
41100	AEP	51,800.00	26,150.00	0.00	0.00	26,150.00	25,650.00	50.48 %
	Revenues	51,800.00	26,150.00	0.00	0.00	26,150.00	25,650.00	50.48 %
Expenses								
60300	Big Sandy CAP	19,950.00	3,375.00	0.00	0.00	3,375.00	16,575.00	16.92 %
60700	Gateway CAA	850.00	700.00	0.00	0.00	700.00	150.00	82.35 %
61100	LKLP CAC	16,425.00	16,325.00	0.00	0.00	16,325.00	100.00	99.39 %
61600	Middle Ky CAP	1,625.00	25.00	0.00	0.00	25.00	1,600.00	1.54 %
61800	Northeast Ky CAA	12,950.00	5,725.00	0.00	0.00	5,725.00	7,225.00	44.21 %
	Expenses	51,800.00	26,150.00	0.00	0.00	26,150.00	25,650.00	50.48 %
	Balance:	0.00	0.00	0.00	0.00	0.00		
770319 AEP Agencies THAW 18/19								
Revenues								
41100	AEP	24,480.00	0.00	0.00	12,912.00	12,912.00	11,568.00	52.75 %
	Revenues	24,480.00	0.00	0.00	12,912.00	12,912.00	11,568.00	52.75 %
Expenses								
60300	Big Sandy CAP	9,549.00	0.00	0.00	4,848.00	4,848.00	4,701.00	50.77 %
60700	Gateway CAA	339.00	0.00	0.00	48.00	48.00	291.00	14.16 %
61100	LKLP CAC	6,350.00	0.00	0.00	2,304.00	2,304.00	4,046.00	36.28 %
61600	Middle Ky CAP	782.00	0.00	0.00	896.00	896.00	(114.00)	114.58 %
61800	Northeast Ky CAA	7,460.00	0.00	0.00	4,816.00	4,816.00	2,644.00	64.56 %
	Expenses	24,480.00	0.00	0.00	12,912.00	12,912.00	11,568.00	52.75 %
	Balance:	0.00	0.00	0.00	0.00	0.00		
770419 AEP THAW 18/19								
Revenues								
41100	AEP	5,270.00	6,218.95	0.00	(948.95)	5,270.00	0.00	100.00 %
	Revenues	5,270.00	6,218.95	0.00	(948.95)	5,270.00	0.00	100.00 %
Expenses								
50000	Salaries	2,000.00	2,659.62	555.97	1,466.28	4,125.90	(2,125.90)	206.30 %
50500	Fringe Benefits	1,000.00	963.08	242.92	698.77	1,661.85	(661.85)	166.19 %
51400	Legal Fees	2,270.00	2,270.00	0.00	0.00	2,270.00	0.00	100.00 %
54101	IT R&M	0.00	326.25	102.41	102.41	428.66	(428.66)	0.00 %
	Expenses	5,270.00	6,218.95	901.30	2,267.46	8,486.41	(3,216.41)	161.03 %

Revenue and Expenditure Report by Element

Community Action Kentucky
 Period 7/1/2019 to 9/30/2019

Run Date: 10/03/2019
 Run Time: 9:10:28 am
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38519 AEP 18/19

Project Period 10/1/2018 to 9/30/2019

Element	Budget	Prior Year	Current	YTD	ProjTotal	Un/Over	% Bud
Balance:	0.00	0.00	(901.30)	(3,216.41)	(3,216.41)		
Project Revenues:	92,225.00	43,043.95	0.00	11,963.05	55,007.00	37,218.00	59.64%
Project Expenses:	92,225.00	43,043.95	901.30	15,179.46	58,223.41	34,001.59	63.13%
Project Balance:	0.00	0.00	(901.30)	(3,216.41)	(3,216.41)		
Report Total:			(901.30)	(3,216.41)			

Community Action, Kentucky, Inc.

Independent Auditor's Report
with
Audited Financial Statements
and
Supplementary Information

For the Year Ended June 30, 2019

Community Action, Kentucky Inc.
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 June 30, 2019

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Charles T. Mitchell Company, PLLC
ctmcpa.com

Partners
James E. Clouse, CPA
Greg Miklavcic, CPA
Ryan Moore, CPA

Independent Auditor's Report

Board of Directors

Community Action, Kentucky, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action, Kentucky Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action, Kentucky Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 29 to 37 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is also not a required part of the financial statements. The accompanying supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of Community Action, Kentucky Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action, Kentucky Inc.'s internal control over financial reporting and compliance.

Charles T. Mitchell Co.

Frankfort, Kentucky
November 1, 2019

Assets	
Current Assets	
Cash & Cash Equivalents	\$ 259,251
Reimbursable Costs	1,591,861
Due from Sub-recipients	23,496
Current Portion of Notes Receivable	5,191
Prepaid Expenses	230
Total Current Assets	1,880,029
Other Assets	
Investments	985,587
Property and Equipment	
Property and Equipment Net of Accumulated Depreciation	1,545,226
Total Assets	\$ 4,410,842
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 1,531,746
Accrued Compensation	109,167
Deferred Revenue	138,183
Total Current Liabilities	1,779,096
Total Liabilities	1,779,096
Net Assets	
Without Donor Restrictions	2,631,746
Total Net Assets	2,631,746
Total Liabilities and Net Assets	\$ 4,410,842

See accompanying notes.

Community Action, Kentucky Inc.
 Statement of Activities
 For the Year Ended June 30, 2019

Revenue and Support:	
Grants/Contracts	\$ 46,338,570
Commissions	115,511
Dues	19,253
Rental Income	22,800
Investment Income	26,521
Other	402,409
Total Revenue and Support	46,925,064
Expenses:	
Programs	
RCAP	575,456
LIHEAP	41,294,799
WX	116,645
CSBG	200,000
OCS	397,068
Kynect	3,539,671
Other	207,952
Supporting Services	457,647
Total Expenses	46,789,238
Change in Net Assets	135,826
Net Assets Beginning of the Year	2,495,920
Net Assets End of Year	\$ 2,631,746

See accompanying notes.

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 135,826
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	96,305
Unrealized Loss on Investments	38,454
Changes in Operating Assets and Liabilities:	
Increase in Reimbursable Costs	(662,845)
Increase in Sub-recipient Receivables	(23,496)
Decrease in Prepaid Expenses	3,279
Increase in Accounts Payable	790,023
Decrease in Deferred Revenue	(20,297)
Increase in Accrued Expenses	9,911
Total Adjustments	<u>231,334</u>
Net Cash Provided by Operating Activities	<u>367,160</u>
Cash Flows From Investing Activities:	
Collections of Notes Receivable	3,011
Cash proceeds from Investments	12,326
Purchases of Investments	(67,172)
Purchases of Property and Equipment	(780,663)
Net Cash Flows (Used) in Investing Activities	<u>(832,498)</u>
Cash flows From Financing Activities:	
Payments on Debt	<u>-</u>
Cash Flows (Used) In Financing Activities	<u>-</u>
Net Decrease in Cash	(465,338)
Cash and Cash Equivalents at Beginning of Year	<u>724,589</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 259,251</u></u>

See accompanying notes.

KPSC Case No. 2019-00366
 Commission Staff's Second Set of Data Requests
 Dated December 16, 2019
 Item No. 3
 Attachment 3
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Community Action, Kentucky Inc.
 Statement of Functional Expenses
 For the Year Ended June 30, 2019

	RCAP	LIHEAP	WX	CSBG	OCS	Kynect	Other	Treasury	Totals
Salaries	\$ 248,962	\$ 162,398	\$ 10,632	\$ 106,635	\$ 61,254	\$ 76,355	\$ 7,316	\$ 33,068	\$ 706,620
Fringe Benefits	100,391	64,009	4,233	42,038	25,665	30,069	2,881	7,820	277,106
Professional Services	673	-	-	73	-	-	8,445	67,081	76,272
Consultants / Contracts	-	-	5,890	2,882	271,417	-	-	42,875	323,064
Education	6,125	2,996	-	2,340	2,798	-	-	1,210	15,469
Travel In State	29,789	5,098	192	8,954	18,893	410	-	23,201	86,537
Travel Out of State	10,447	-	-	-	-	-	-	-	10,447
Meeting	-	-	-	-	-	-	-	57,319	57,319
Telephone	269	-	-	-	29	-	-	13	311
Postage	-	-	-	-	-	-	1	25	26
Office Exp & Supplies	6,379	-	-	-	206	-	-	4,481	11,066
Publications	-	-	-	-	714	-	-	180	894
Dues/Fees	1,363	-	-	-	-	-	-	16,884	18,247
Insurance	-	-	-	-	-	-	-	204	204
Pollution Insurance	-	-	64,260	-	-	-	-	-	64,260
Printing	1,354	2,474	-	31	-	-	-	1	3,860
Marketing/Advertising	969	-	1,436	-	-	541	-	28,294	31,240
Utilities	-	-	1	-	-	-	-	-	1
Repairs & Maintenance	-	-	1	-	-	-	-	18,304	18,305
IT Repairs & Maintenance	1,836	131,836	28,262	14,199	-	-	326	57,601	234,060
Depreciation	-	1	-	-	2	-	-	76,543	76,546
Equipment	5,752	-	-	-	-	-	-	-	5,752
Interest	-	-	-	-	-	-	-	-	-
Other	91,398	-	-	-	-	-	-	15,382	106,780
Indirect	69,749	34,570	1,738	22,848	16,090	16,805	254	4,175	166,229
Loan Write-Off	-	-	-	-	-	-	-	2,986	2,986
Subrecipients	-	40,891,417	-	-	-	3,415,491	188,729	-	44,495,637
Total Expenses	\$ 575,456	\$ 41,294,799	\$ 116,645	\$ 200,000	\$ 397,068	\$ 3,539,671	\$ 207,952	\$ 457,647	\$ 46,789,238

See accompanying notes.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2019

Note 1 – Organization and Nature of the Operations

Community Action, Kentucky, Inc. (a Kentucky nonprofit organization) is a multi-funded association of twenty-three (23) Community Action Agencies (CAA) in Kentucky. Each of these twenty-three CAA's has an Executive Director, or its equivalent, who serve as board members for Community Action Kentucky, Inc. The CAA's are the predominate recipients of pass through funds from Community Action Kentucky, Inc. and thus related parties (See Note 12 of this report for further details). CAK was formed in 1968 to provide a link between the CAA's to better accomplish mutual goals and objectives. The responsibilities of CAK include the development and administration of grants and contracts providing services in areas such as housing, water, wastewater management, crisis intervention, and low-income home improvements.

In prior years, the organization conducted its activities as Kentucky Association for Community Action, Inc. (KACA). In October 2007, the board approved and the state granted a change of name to Community Action, Kentucky, Inc. (CAK).

The primary sources for flow through of funds are Cabinet for Health and Family Services and Kentucky Housing Corporation, State of Kentucky and W.S.O.S. Community Action Commission.

The following programs are administered by CAK:

Low Income Home Energy Assistance (LIHEAP)

The LIHEAP Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance to provide energy services including assistance with payment of utility bills, limited repairs of heating systems and provision of fuel, heaters, blankets and certain other commodities. CAK serves as a pass-through agency with the program services being provided by 23 sub-recipient organizations.

Water and Wastewater Program (RCAP)

The RCAP Grant is funded by an award from the U.S. Department of Health and Human Services, Office of Community Services. The WSOS Community Action, Inc., sponsor for the Great Lakes Rural Network, Inc., has contracted with Community Action, Kentucky, Inc. to assist low-income families, small communities, and local officials to deal with water and wastewater problems affecting the poor. The water and wastewater program has activities in Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.

Housing Program

The Housing Program is funded by a loan from the Kentucky Housing Corporation to make and disburse mortgage loans to eligible persons and families of lower income, for single-family dwellings to provide safe, decent, and sanitary family dwellings in the Commonwealth of Kentucky.

KU Energy Assistance Program

CAK, in conjunction with Community Action Council, operates an energy assistance program that helps households with a subsidy benefit during the year.

American Electric Power

CAK, in conjunction with five Community Action Agencies in Eastern Kentucky, operates an energy assistance program that helps households with subsidy benefits during the year.

Weatherization

The Weatherization program is funded by the federal Department of Energy (DOE) and, upon approval by CHFS, by a 15% transfer from the Low-Income Home Energy Assistance Program (LIHEAP) to Weatherization. The program is administered by the Kentucky Housing Corporation.

Community Action, Kentucky Inc.
Notes the Financial Statements
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Principles

Basis of Presentation – The financial statements are prepared using the accrual basis of accounting. Revenues and the related assets are recognized when earned rather than when received. Expense and the related liabilities are recognized when incurred rather than when the disbursements are made.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual events and results could differ from those assumptions and estimates.

Expenses – Expenses are reported using the accrual basis of accounting.

Revenue Recognition – Program service revenue is considered available for CAK's general programs unless specifically restricted by donors or grantors. Interest income related to housing notes is recorded when received. Accrued interest on such notes is considered immaterial and is not disclosed. Grant and contract revenue under cost reimbursement grants or contracts is recorded when an expense is incurred for specific grant or contract supported programs or projects in a manner defined by applicable grants or contracts. Grant or contract funding received that does not meet the criteria for revenue recognition described above are deferred using the deposit method. Under the deposit method, cash received from grants or contracts is classified as deferred revenue (a refundable deposit) in the liability section of the statements of financial position, and revenue recognition is deferred until the requirements detailed above are met.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Accounts and Notes Receivable – Accounts and notes receivable are stated at their outstanding principal. Both accounts and notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the any underlying collateral and current economic conditions. Based on management's assessment of the credit history and current, CAK, believes realization of losses, if any, will be immaterial.

Accrued Compensation – It is the policy of CAK that annual leave time is accrued and payable on termination of employment and sick leave is not accrued since it is not paid upon termination of employment. As of June 30, 2019, CAK had unpaid annual leave and salary of \$108,377 and \$790 of withheld employee flexible savings.

Functional Expenses – Directly identified expenses are charged to programs and support services. CAK adheres to the AICPA Industry Audit Guide in reporting expenses by their functional classification. Accordingly, salaries, fringe benefits, professional fees, supplies and other expenses have been allocated to functional classifications based on various factors.

Investments – Investments are presented at their fair value as determined by reference to quoted market prices. Related realized and unrealized gains and losses are reflected in the statement of activities.

Property & Equipment – Property and equipment acquired with unrestricted revenues are stated at cost, if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Additions with a cost of fair value of less than \$500 are expensed.

Note 2 – Summary of Significant Accounting Principles (continued)

Change in Accounting Principal – CAK implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards changed the following aspects for the financial statements:

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a disclosure on liquidity and availability of resources (Note 13).

The changes have the following effect on net assets as of July 1, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption</u>
Net Assets Unrestricted	\$ 2,495,920	
Net Assets Without Donor Restrictions		\$ 2,495,920

Note 3 – Concentrations of Credit Risk

In the current year, a significant amount of funding was provided by a few major contributors. It is always considered reasonably possible that grantors might be lost or funding could be reallocated in the near term. Approximately 99% of CAK's revenue was earned under various contracts (grants), approximately 91% from US Department of Health and Human Services. CAK's market is concentrated in the geographic area of Kentucky.

During the fiscal year, at each month's end, CAK had on deposit with a local bank an amount in excess of FDIC insurance limits. As of June 30, 2019 CAK exceeded FDIC insurance limits in the amount of \$42,964.

Note 4 – Income Taxes

CAK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code, except from income derived from unrelated business activities. At June 30, 2019, CAK has no estimated liability on unrelated business activities. CAK believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. CAK's federal Exempt Organization Business Income Tax Return (Form 990) for 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Community Action, Kentucky Inc.
 Notes the Financial Statements
 For the Year Ended June 30, 2019

Note 5 – Investments

Community Action, Kentucky Inc. determines fair value based on the price that would be received to see the asset or paid to transfer the liability to a market participant. Investments consisted of the following at June 30, 2019:

	Cost	Fair Value
Bond Funds	\$ 133,847	\$ 133,883
Equity Funds	840,499	851,704
	\$ 974,346	\$ 985,587
Bond Funds by Fund Type:		
RUSSELL INVT (RFCTX)	\$ 133,847	\$ 133,883
RUSSELL INVT CO (RMYSX)	100,359	100,346
RUSSELL INVT CO (RGISX)	24,029	24,430
RUSSELL INVT CO (RCCSX)	28,964	26,816
RUSSELL INVT CO (RMGSX)	181,067	180,213
RUSSELL INVT (REMSX)	70,210	78,828
RUSSELL INVT (RLESX)	92,902	90,434
RUSSELL INVT (RINTX)	116,231	122,409
RUSSELL INVT (RFATX)	62,247	63,218
RUSSELL INVT CO (RSESX)	164,490	165,010
Total	\$ 974,346	\$ 985,587

A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect an Organization's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The standard requires certain valuation methodologies be used for instruments measured at fair value on a recurring basis and recognized in the Organization's statement of financial position, as well as the general classification of such instruments pursuant to the above valuation hierarchy. All investments are Level 1 investments.

At June 30, 2019, the Organization's trading securities had a fair value of \$985,587, of which, all was determined based on quoted prices in active markets for identical assets (Level 1).

Note 5 – Investments (continued)

Realized and unrealized gains and losses included in the change in net assets for the year ended June 30, 2019 are reported in the accompanying statement of activities as follow:

Interest & Dividend Income	\$	64,800
Realized Gains(Losses)		175
Unrealized Gains(Losses)		(38,454)
Total Investment Income	\$	26,521

Note 6 – Notes Receivable

The unpaid notes receivable balances were comprised of 2 revolving loans totaling \$5,191 and management considers these to be noncurrent. During the fiscal year CAK charged off one revolving loan.

Note 7 – Property and Equipment

Property and equipment consisted of the following at June 30, 2019:

Land	\$	105,287
Office Equipment		1,158,789
Building		780,540
Total Depreciable Assets		2,044,616
Less: Accumulated Depreciation		(499,390)
Net Property, Plant & Equipment	\$	1,545,226

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Depreciation expense amounted to \$96,305 of which \$76,546 was direct and \$19,759 was included in indirect expenses for the year ended June 30, 2019.

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies

Plan Description

County Employees' Retirement System (CERS)

Community Action, Kentucky Inc. (CAK) is a participating employer of the County Employees' Retirement System. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements, which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2019 plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board based on an annual valuation last proceeding the July 1 of a new biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee’s wages, which is equal to the actuarial determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member’s salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member’s account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The CAK contributed \$149,062 for the year ended June 30, 2019, or 100% of the required contribution.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1 Participation date	Before September 1, 2008
Unreduced retirement	27 years' service or 65 years old
Reduced Retirement	At least 5 years' service and 55 years old 25 years' service and any age
Tier 2 Participation date	September 1, 2008 - December 31, 2013
Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal 87+ At least 10 years' service and 60 years old
Tier 3 Participation date	After December 31, 2013
Unreduced retirement	At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal 87+
Reduced Retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly of the State of Kentucky. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death.

Community Action, Kentucky Inc.
 Notes the Financial Statements
 For the Year Ended June 30, 2019

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities

CAK does not report under report under Governmental Accounting Standards Board (GASB). Because of the reporting standards under Financial Accounting Standards Board, as June 30, 2019, CAK did not report a liability of \$1,392,609 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CAK's proportion of the net pension liability was based on a projection of CAK's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018 CAK's proportion was .0022866% percent. CAK also did not report Deferred Inflows and Outflows of Resources as required by GASB.

Actuarial Methods and Assumptions

For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuation results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of the GRS' replication.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (Continued)

Long Term Rate of Return: The long term expected return on plan assets is reviewed as part of the regular experience studies prepared every five year for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined

Community Action, Kentucky Inc.
 Notes the Financial Statements
 For the Year Ended June 30, 2019

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (continued)

contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents CAK's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Nonhazardous	\$ 1,753,150	\$ 1,392,609	\$ 1,090,538
CERS's net pension liability	\$ 1,753,150	\$ 1,392,609	\$ 1,090,538

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the Kentucky Retirement Systems.

The schedule of CAK's proportionate share of the net pension liability is presented below. CAK is presenting on the prior four years only; as 2016 was the implementation year for GASB 68 and will add to the presentation, to show ten years of information, as it becomes available.

	2017-2018	2016-2017	2015-2016	2014-2015
CAK's proportion of the net pension liability	0.0022866%	0.0022452%	0.0027740%	0.2840500%
CAK's proportionate share of the net pension liability	\$ 1,392,609	\$ 1,314,185	\$ 1,365,666	\$ 1,221,289
CAK's covered-employee payroll	\$ 713,593	\$ 667,971	\$ 613,715	\$ 725,999
CAK's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195%	197%	223%	168%
Plan Fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	66.75%

Note 8 – Retirement Plan and Other Post-Employment Benefits and Contingencies (continued)

The Schedule of CAK's contribution is presented below. CAK is presenting on the prior four years only; as 2016 was the implementation year for GASB 68 and will add to the presentation, to show ten years of information, as it becomes available.

	2018-2019	2017-2018	2016-2017	2015-2016
Contractually required contribution	\$ 149,062	\$ 127,027	\$ 141,921	\$ 123,856
Contribution in relation to the contractually required contribution	\$ 149,062	\$ 127,027	141,921	123,856
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-
CAK's covered-employee payroll	\$ 713,593	\$ 667,971	\$ 613,715	\$ 725,999
Contributions as a percentage of covered-employee payroll	21.48%	19.18%	18.68%	17.06%

The contribution as a % includes the % for insurance.

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description

Retired employees of CAK are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, nonhazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. CAK has contractually required contribution rate for the year ended June 30, 2019 was 4.70% of covered payroll. Contributions to the Insurance Fund from the Association were \$26,637 for the year ended June 30, 2019. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2018 was performed by Mike Harmon, Kentucky Auditor or Public Accounts. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled

Community Action, Kentucky Inc.
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For the Year Ended June 30, 2019

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. Mike Harmon did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll forward is based on the results of Mike Harmon's replication.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of
Pre-65	4.05% over a period of 12 years
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of
	4.05% over a period of 10 years

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with Scale BB (setback 1 year for females).

Discount Rate

The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost association with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) were developed by the investment consultant for each major asset class (see chart below). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and then adding expected inflation. The capital market assumption developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which covers a longer timeframe. The assumptions are intended to be long-term assumptions and are not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future year.

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The Net OPEB liability of CAK, as well as what the CAK's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.85%) or one percentage point higher (6.85%) follows:

	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
Nonhazardous	\$ 527,282	\$ 405,964	\$ 302,623
	<u>\$ 527,282</u>	<u>\$ 405,964</u>	<u>\$ 302,623</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of CAK, as well as what CAK's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.85%) or one percentage point higher (6.85%) that the current healthcare cost trend rates follows:

	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
Nonhazardous	\$ 302,244	\$ 405,964	\$ 528,219
	<u>\$ 302,244</u>	<u>\$ 405,964</u>	<u>\$ 528,219</u>

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Pension Plan Fiduciary Net Position

The schedule of CAK's proportionate share of the net OPEB liability is presented below. CAK is presenting on the prior two years only; as 2018 was the implementation year for GASB 75 and will add to the presentation, to show ten years of information, as it becomes available.

	<u>2018-2019</u>	<u>2017-2018</u>
CAK's proportion of the net pension liability		
CAK's proportion of the net pension liability	0.022865%	0.022452%
CAK's proportionate share of the net pension liability	\$405,964	\$451,362
CAK's covered-employee payroll	\$ 713,593	\$ 667,971
CAK's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57%	68%
Plan Fiduciary net position as a percentage of the total pension liability	52.4%	52.4%

The schedule of CAK's contribution is presented below. CAK is presenting on the prior two years only; as 2018 was the implementation year for GASB 75 and will add to the presentation, to show ten years of information, as it becomes available.

	<u>2018-2019</u>	<u>2017-2018</u>
Contractually required contribution	\$26,637	\$25,857
Contribution in relation to the contractually required contribution	(26,637)	(25,857)
Contribution deficiency (excess)	\$ -	\$ -
CAK's covered-employee payroll	\$ 713,593	\$ 667,971
Contributions as a percentage of covered- employee payroll	3.73%	3.87%

The previous notes are reported as contingencies for CAK. No liability for the Unfunded Pension Liability and OPEB Liability are reported.

Note 10 – Non-Compliance with Grantor or Donor Restrictions

Financial awards from federal, state, and local governmental entities in the form of grants are subject to specific audit. Such audits could result in claims against CAK for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. However, management believes that if such audits arise, all steps have been followed to ensure compliance with each grantor or donor restrictions as defined by contractual agreements as of June 30, 2019.

Note 11 – Operating Lease

CAK is the lessee of office equipment under an operating lease during fiscal year end 2019. Lease expense during 2018-2019 totaled \$750.

Note 12 – Related Entities

There are 23 Community Action Agencies that make up 6 congressional districts. Community Action, Kentucky Inc.'s Board of Directors is also the executive director or an authorized agent of one of these 23 community action agencies. CAK provides technical support, lobbying and administrative support and in return receives membership dues totaling \$17,453 for the year ended June 30, 2019. CAK has no ownership or voting interests in these local chapters with limited control over how the local chapters carry out certain activities by means of subcontract agreements. Subcontract expense passed-through to related community action agencies totaled \$44,495,637 for the year ended June 30, 2019.

Note 13 – Liquidity

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial Assets	
Cash & Cash Equivalents	\$ 259,251
Reimbursable Costs	1,591,861
Due from Sub-recipients	23,496
Current Portion of Notes Receivable	5,191
Prepaid Expenses	230
Investments	985,587
Total Financial Assets	\$ 2,865,616
Less financial assets held to meet donor imposed restrictions	-
Less financial assets not available within one year	-
Less board designated funds	-
Amounts available for general expenses within one year	\$ 2,865,616

Note 14 – Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. Subsequent events were evaluated through November 1, 2019, which is the date the financial statements were available to be issued. No events were found to be, or have, a material impact regarding the accompanying financial statements of the Community Action, Kentucky Inc. as of and for the year ended June 30, 2019 as listed in the table of contents.



Partners
James E. Clouse, CPA
Greg Miklavcic, CPA
Ryan Moore, CPA

Charles T. Mitchell Company, PLLC
ctmcpa.com

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Directors
Community Action, Kentucky, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action, Kentucky Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action, Kentucky Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action, Kentucky Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action, Kentucky Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such

an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles T. Mitchell Co.

Frankfort, Kentucky
November 1, 2019



Partners
James E. Clouse, CPA
Greg Miklavcic, CPA
Ryan Moore, CPA

Charles T. Mitchell Company, PLLC
ctmcpa.com

Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over Compliance
Required by the Uniform Guidance

Board of Directors
Community Action, Kentucky, Inc.

Report on Compliance for Each Major Federal Program

We have audited Community Action, Kentucky Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Action, Kentucky Inc.'s major federal programs for the year ended June 30, 2019. Community Action, Kentucky Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms of and conditions applicable to its federal award programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action, Kentucky Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action, Kentucky Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action, Kentucky Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action, Kentucky Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Community Action, Kentucky Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action, Kentucky Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action, Kentucky Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles T. Mitchell Co.

Frankfort, Kentucky
November 1, 2019

KPSC Case No. 2019-00366
 Commission Staff's Second Set of Data Requests
 Dated December 16, 2019
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Community Action, Kentucky Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Grant	Pass-Through Grantor	Federal CFDA Number	Pass Through Grant Number	Grant Period Ending	Sub-recipients	Federal Award Expenditures
<i>U.S. Department of Health and Human Services:</i>						
Community Service Block Grant	KY Cabinet for Health & Family Services	93.569	736-1800001946	6/30/19	\$	\$ 200,000
RPIC	Office of Community Services	93.569	90ET0463-03-01	9/29/19		266,200
RPIC	Office of Community Services	93.569	90ET0463-02-01	9/29/18		130,868
				Total 93.569	-	597,068
Low Income Home Energy Assistance Program	KY Cabinet for Health & Family Services	93.568	736-1800001946	6/30/19	40,891,417	41,294,799
LIHEAP-Weatherization	Kentucky Housing Corporation	93.568	LH18-0073-02	6/30/19		59,274
				Total 93.568	40,891,417	41,354,073
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 18/19	9/30/19		112,360
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 17/18	9/30/18		33,830
				Total 93.570	-	146,190
Total Department of Health and Human Services					40,891,417	42,097,331
<i>U.S. Department of Energy:</i>						
Weatherization - DOE	Kentucky Housing Corporation	81.042	WX19-0373-02	6/30/19		57,371
Total Department of Energy					-	57,371
<i>U.S. Department of Agriculture:</i>						
RCDI-RCAP		10.446	PY 16/19	6/14/19		30,621
				Total 10.446	-	30,621
RCAP-Technitrain	W.S.O.S Community Action Comm.	10.761	PY 18/19	8/31/19		115,994
RCAP-Technitrain	W.S.O.S Community Action Comm.	10.761	PY 17/18	8/31/18		42,297
RIAD	W.S.O.S Community Action Comm.	10.761	PY 18/19	6/30/19		24,788
				Total 10.761	-	183,079
Solid Waste 2 - RCAP	W.S.O.S Community Action Comm.	10.762	18/19	9/30/19		32,336
Solid Waste 2 - RCAP	W.S.O.S Community Action Comm.	10.762	17/18	9/30/18		26,575
				Total 10.762	-	58,911
Community Facilities		10.766	PY 17/20	9/21/20		9,488
				Total 10.766	-	9,488
Total Department of Agriculture					-	282,099
<i>Environmental Protection Agency:</i>						
EPA - DW	W.S.O.S Community Action Comm.	66.424	PY 18/21	9/30/21		8,652
EPA - DW	W.S.O.S Community Action Comm.	66.424	PY 17/19	3/31/19		28,904
				Total 66.424	-	37,556
EPA - WW	W.S.O.S Community Action Comm.	66.436	PY 18/21	9/30/21		2,694
EPA - WW	W.S.O.S Community Action Comm.	66.436	PY 17/19	3/31/19		3,917
				Total 66.436	-	6,611
Total Environmental Protection Agency					-	44,167
Total Expenditures of Federal Awards					\$ 40,891,417	\$ 42,480,968

See accompanying notes to the Schedule of Federal Awards.

Community Action, Kentucky Inc.
Schedule of Subrecipient Expenditures
For the Year Ended June 30, 2019

	LIHEAP	Non-Federal			Total
	93.568	Kynector	KU	AEP	
Audubon Area	\$ 1,761,978	\$ 421,128	\$ -	\$ -	\$ 2,183,106
Bell-Whitley CAA	1,264,627				1,264,627
Big Sandy CAP	2,851,441			7,581	2,859,022
Blue Grass CAA	1,708,188	252,854			1,961,042
Central Ky CAA	1,736,126				1,736,126
Daniel Boone CAA	2,320,759				2,320,759
Gateway CAA	1,098,414	96,824		829	1,196,067
Harlan Co CAA	618,082				618,082
KCEOC CAP	881,591				881,591
Foothills CAP	1,441,527	183,552			1,625,079
LKLP CAA	2,307,984			19,084	2,327,068
Lake Cumberland CAA	3,016,839	252,977			3,269,816
CAC - Lexington	1,627,487	321,933	151,661		2,101,081
Licking Valley CAP	874,642	81,928			956,570
Louisville Metro	5,150,563				5,150,563
Middle Ky CAP	1,642,672			364	1,643,036
Multi-Purpose CAA	407,869				407,869
Northeast Ky CAA	2,245,550	223,021		9,210	2,477,781
Northern Ky CAC	2,041,436	633,220			2,674,656
Pennyrile Allied	1,718,043	336,812			2,054,855
CAA of Southern Ky	2,306,983	145,881			2,452,864
Tri-County CAA	252,699				252,699
West Ky Allied	1,615,917	465,361			2,081,278
	<u>\$ 40,891,417</u>	<u>\$ 3,415,491</u>	<u>\$ 151,661</u>	<u>\$ 37,068</u>	<u>\$ 44,495,637</u>

See accompanying notes to the Schedule of Federal Awards.

Community Action, Kentucky Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 – Basis of Presentation – The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action, Kentucky, Inc. (“CAK”) under programs of the federal government for the year ended June 30, 2019. The information in this schedule and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the operations of CAK; it is not intended to and does not present the financial position, changes in net assets and cash flows of CAK. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 – Sub-recipient Expenditures – Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Oversight Agency – In accordance with the Single Audit Act Amendment of 1996 and Uniform Guidance, the U.S. Department of Health and Human Services is the Oversight Agency for CAK. The Single Audit Act provides that the Oversight Agency shall have the following responsibilities

- a. Shall provide technical advice to auditees and auditors as requested
- b. May assume all or some of the responsibilities performed by a cognizant agency for audit which include:
 - i. Provide technical audit advice and liaison to auditees and auditors
 - ii. Consider auditee requests for extension to the report submission due date
 - iii. Obtain or conduct quality control reviews of selected auditees made by non-federal auditors, and provide the results, when appropriate, to other interested organizations
 - iv. Promptly inform other affected federal agencies and appropriate federal law enforcement officials of any direct reporting by the auditee or its auditor of irregularities or illegal acts, as required by generally accepted government auditing standards or laws and regulations
 - v. Advise the auditor and, where appropriate, the auditee of and deficiencies found in the audits when the deficiencies require corrective action by the auditor; when advices of deficiencies, the auditee shall work with the auditor to take corrective action; if not, the cognizant agency for audit shall notify the auditor, the auditee and applicable federal awarding agencies and pass-through entities of the facts and make recommendations for follow up action, major inadequacies or repetitive standard performance by auditors shall be referred to appropriate state licensing agencies and professional bodies for disciplinary action
 - vi. Coordinate, to the extent practical, audits, or reviews made by or for federal agencies that are in addition to the audits made pursuant to this part, so that the additional audits or reviews build upon audits performed in accordance with this part
 - vii. Coordinate a management decision for audit findings that affect the federal programs of more than one agency
 - viii. Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit

Note 4 – Indirect Cost Rate—CAK has elected an indirect cost plan which allocates indirect costs based on direct charged payroll. CAK did not elect to use the 10% de minimis indirect cost rate.

Community Action, Kentucky Inc.
 Schedule of Findings & Questioned Costs
 For the Year Ended June 30, 2019

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____yes X no
- Significant deficiency identified that are not considered to be material weaknesses _____yes X no

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____yes X no
- Significant deficiency identified that are not considered to be material weaknesses _____yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance _____yes X no

Identification of major programs:

CFDA Number	Name of Federal Program of Cluster
93.568	LIHEAP
93.569	CSBG

Dollar threshold used to distinguish between type A and type B programs \$ 1,274,429

Auditee qualified as low-risk auditee? X yes _____no

Findings Required to be Reported under Generally Accepted Government Auditing Standards

None.

Findings and Questioned Costs for Major Federal Award Programs

None.

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Community Action, Kentucky Inc.
Statement of Activity by Program
For the Year Ended June 30, 2019

Revenues	RCAP	LIHEAP	WX	CSBG	OCS	Kynect	Other	Treasury	Total
Grant Revenue	\$ 575,456	\$ 41,294,799	\$ 116,645	\$ 200,000	\$ 397,068	\$ 3,539,671	\$ 214,931	\$ -	\$ 46,338,570
Rental Income	-	-	-	-	-	-	-	22,800	22,800
Interest Income	-	-	-	-	-	-	-	64,800	64,800
Dues	-	-	-	-	-	-	-	19,253	19,253
Commission	-	-	-	-	-	-	-	115,511	115,511
Realized Gain On Inv	-	-	-	-	-	-	-	175	175
Unrealized Loss On Inv	-	-	-	-	-	-	-	(38,454)	(38,454)
Other Income	-	-	-	-	-	-	-	402,409	402,409
Total Revenues	\$ 575,456	\$ 41,294,799	\$ 116,645	\$ 200,000	\$ 397,068	\$ 3,539,671	\$ 214,931	\$ 586,494	\$ 46,925,064
Expenses									
Salaries	248,962	162,398	10,632	106,635	61,254	76,355	7,316	33,068	706,620
Fringe Benefits	100,391	64,009	4,233	42,038	25,665	30,069	2,881	7,820	277,106
Professional Services	673	-	-	73	-	-	8,445	67,081	76,272
Consultants / Contracts	-	-	5,890	2,882	271,417	-	-	42,875	323,064
Education	6,125	2,996	-	2,340	2,798	-	-	1,210	15,469
Travel In State	29,789	5,098	192	8,954	18,893	410	-	23,201	86,537
Travel Out of State	10,447	-	-	-	-	-	-	-	10,447
Meeting	-	-	-	-	-	-	-	57,319	57,319
Telephone	269	-	-	-	29	-	-	13	311
Postage	-	-	-	-	-	-	1	25	26
Office Exp & Supplies	6,379	-	-	-	206	-	-	4,481	11,066
Publications	-	-	-	-	714	-	-	180	894
Dues/Fees	1,363	-	-	-	-	-	-	16,884	18,247
Insurance	-	-	-	-	-	-	-	204	204
Pollution Insurance	-	-	64,260	-	-	-	-	-	64,260
Printing	1,354	2,474	-	31	-	-	-	1	3,860
Marketing/Advertising	969	-	1,436	-	-	541	-	28,294	31,240
Utilities	-	-	1	-	-	-	-	-	1
Repairs & Maintenance	-	-	1	-	-	-	-	18,304	18,305
IT Repairs & Maintenance	1,836	131,836	28,262	14,199	-	-	326	57,601	234,060
Depreciation	-	1	-	-	2	-	-	76,543	76,546
Equipment	5,752	-	-	-	-	-	-	-	5,752
Interest	-	-	-	-	-	-	-	-	-
Other	91,398	-	-	-	-	-	-	15,382	106,780
Indirect	69,749	34,570	1,738	22,848	16,090	16,805	254	4,175	166,229
Loan Write-Off	-	-	-	-	-	-	-	2,986	2,986
Subrecipients	-	40,891,417	-	-	-	3,415,491	188,729	-	44,495,637
Total Expenses	575,456	41,294,799	116,645	200,000	397,068	3,539,671	207,952	457,647	46,789,238
Change in Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,979	\$ 128,847	\$ 135,826

See Independent Auditor's Report

Community Action, Kentucky Inc.
 LIHEAP Grant – CFDA 93.568
 Contract #736-1800001946
 Statement of Program Expenses
 For the Period July 1, 2018 Through June 30, 2019

Payments to Subrecipients	
Agency Subsidy Benefits (CAK records)	\$ 10,764,234
Agency Crisis Benefits (CAK records)	25,818,360
Agency Prior Year Adjustments (CAK records)	1,306
Agency Administration (CAK records)	4,307,517
	\$ 40,891,417
CAK Administration	
Salaries	165,019
Fringe Benefits	65,041
Professional Services	4,061
Education	2,996
Travel	5,270
Meeting	717
Telephone	4,647
Postage	94
Supplies	1,192
Dues/Fees	104
Insurance	3,836
Printing	2,549
Utilities	1,763
Repairs & Main	141,983
Depreciation	4,110
	403,382
Total Expenditures	41,294,799
Questioned Costs	-
Allowable Cost	41,294,799
Amount Received From CHFS -LIHEAP	40,636,123
Accounts Receivable From Funding Sources	682,086
Accounts Payable to Funding Sources	23,410
Excess (Shortage) Receipts over Expenditures	\$ -

See Independent Auditor's Report.

Community Action, Kentucky Inc.
 LIHEAP Grant – CFDA 93.568
 Contract #736-1800001946
 Statement of Budget to Actual
 For the Period July 1, 2018 Through June 30, 2019

Cost Category	Budget	Actual	(Over)/Under Budget
Administrative Cost			
Subrecipient	\$ 5,204,446	\$ 4,307,517	\$ 896,929
Community Action Kentucky	578,879	403,382	175,497
Total Administrative	<u>5,783,325</u>	<u>4,710,899</u>	<u>1,072,426</u>
Benefits - Direct Assistance			
Direct Assistance	<u>52,049,930</u>	<u>36,582,594</u>	<u>15,467,336</u>
Total Benefits	<u>52,049,930</u>	<u>36,582,594</u>	<u>15,467,336</u>
Other Expenditures			
Prior Year Adjustments	<u>-</u>	<u>1,306</u>	<u>(1,306)</u>
Total Other	<u>-</u>	<u>1,306</u>	<u>(1,306)</u>
Total Contract	<u><u>\$ 57,833,255</u></u>	<u><u>\$ 41,294,799</u></u>	<u><u>\$ 16,538,456</u></u>

See Independent Auditor's Report.

Community Action, Kentucky Inc.
 Weatherization Grant
 Contract: Kentucky Housing Corporation
 Statement of Program Expenses
 For the Period July 1, 2018 Through June 30, 2019

CAK Administration		
Salaries	\$	10,765
Fringe Benefits		4,285
Professional Services		204
Consultant/Contract		5,890
Travel		201
Meeting		36
Telephone		234
Postage		5
Supplies		60
Dues/Fees		5
Insurance		193
Pollution Insurance		64,260
Printing		4
Advertising		30
Utilities		89
Repairs & Main		28,772
Marketing		1,406
Depreciation		<u>206</u>
Total Expenditures		116,645
Questioned Costs		<u>-</u>
Allowable Cost		116,645
Amount Received from KHC - DOE		51,185
Amount Received from KHC - LIHEAP		40,584
Accounts Receivable from Funding Sources - DOE		6,186
Accounts Receivable from Funding Sources - LIHEAP		<u>18,690</u>
Excess (Shortage) Receipts over Expenditures	\$	<u><u>-</u></u>

See Independent Auditor's Report.

Community Action, Kentucky Inc.
 CSBG Grant- CFDA 93.569
 Contract #736-1800001946
 Statement of Program Expenses
 For the Period July 1, 2018 Through June 30, 2019

Cabinet for Health and Family Services

Expenditures	
Salaries	\$ 108,367
Fringe Benefits	42,720
Professional Services	2,759
Consultant/Contract	2,882
Education	2,340
Travel	9,067
Meeting	474
Telephone	3,071
Postage	62
Supplies	788
Dues/Fees	68
Insurance	2,535
Printing	81
Utilities	1,165
Repairs & Main	20,905
Depreciation	2,716
Total Expenditures	<u>200,000</u>
Questioned Cost	-
Allowable Cost	<u>200,000</u>
Contract Payment Received From CHFS - CSBG	171,884
Accounts Receivable from Funding Sources	28,116
Accounts Payable to Funding Sources	<u>-</u>
Excess (Shortage) Receipts over Expenditures	<u><u>\$ -</u></u>

See Independent Auditor's Report.

Community Action, Kentucky Inc.
WSOS Community Action Commission, Inc. RCAP Grant
Contract PE 17/18
(For Contracts Ending September 30, 2018)
Statement of Program Expenses
For the Period July 1, 2018 Through June 30, 2019

HHS - CFDA 93.570	\$ 128,300
Technitrain - CFDA 10.761	140,000
EPA - CFDA 66.424	62,500
Solid Waste 2 - CFDA 10.762	52,000
Community Facilities - CFDA 10.766	16,317
EPA-WW - CFDA 66.436	20,000
Contract Awards	\$ 419,117

	Actual 2018	Actual 2019	Total
Expenditures			
Salaries	\$ 151,130	\$ 68,114	\$ 219,244
Fringe Benefits	55,316	30,828	86,144
Professional Services	4,105	2,429	6,534
Education	248	1,678	1,926
Travel	26,301	15,080	41,381
Meeting	699	429	1,128
Telephone	5,139	2,809	7,948
Postage	185	56	241
Supplies	6,919	9,006	15,925
Publications	176	-	176
Dues/Fees	438	521	959
Insurance	4,234	2,294	6,528
Printing	55	1,012	1,067
Utilities	2,218	1,054	3,272
Repairs & Main	12,239	7,243	19,482
Depreciation	4,703	2,459	7,162
Total Expenditures	274,105	145,012	419,117
Questioned Costs	-	-	-
Allowable Costs	274,105	145,012	419,117
Contract Payments Received	185,710	141,244	326,954
Accounts Receivable from Funding Sources	\$ 88,395	\$ 3,768	\$ 92,163
Excess (Shortage) Receipts over Expenditures	\$ -	\$ -	\$ -

See Independent Auditor's Report.

Community Action, Kentucky Inc.
 WSOS Community Action Commission, Inc. RCAP Grant
 Contract PE 18/19
 (For Contracts Ending September 30, 2019)
 Statement of Program Expenses
 For the Period July 1, 2018 through June 30, 2019

HHS-CFDA 93.570	\$	112,360
RIAD - CFDI 10.761		24,788
Technitrain - CFDA 10.761		115,994
EPA-DW - CFDA 66.424		8,652
Solid Waste 2 - CFDA 10.762		32,336
EPA-WW - CFDA 66.436		2,694
Contract Award	\$	<u>296,824</u>
Expenditures		
Salaries	\$	160,802
Fringe Benefits		62,076
Professional Services		5,748
Education		4,447
Travel		23,944
Meeting		895
Telephone		5,911
Postage		118
Supplies		5,297
Dues/Fees		995
Insurance		4,793
Printing		481
Advertising		969
Utilities		2,203
Repairs & Main		13,010
Depreciation		<u>5,135</u>
Total Expenditures		<u>296,824</u>
Questioned Cost		-
Allowable Cost		<u>296,824</u>
Contract Payment Received		156,625
Accounts Receivable from Funding Source		<u>140,199</u>
Excess (Shortage) Receipts over Expenditures	\$	<u><u>-</u></u>

*These funds are temporarily restricted until the contract ends SEPTEMBER 30, 2019.

See Independent Auditor's Report.

Community Action Kentucky, Inc.
 OCS
 Contract #90ET463-02-01
 (For Contracts Ending September 29, 2018)
 For the Period July 1, 2018 Through June 30, 2019

RPIC-CFDA 93.570			
Contract Award			<u>\$ 425,715</u>
Expenditures	Actual <u>2018</u>	Actual <u>2019</u>	Total <u></u>
Salaries	\$ 31,670	\$ 23,379	\$ 55,049
Fringe Benefits	11,181	10,749	21,930
Professional Services	599	804	1,403
Consultants	230,880	83,551	314,431
Education	4,339	788	5,127
Travel	11,403	6,078	17,481
Meeting	102	142	244
Telephone	887	949	1,836
Postage	26	19	45
Supplies	416	442	858
Publications	7		7
Dues/Fees	23	21	44
Insurance	618	759	1,377
Printing	8	15	23
Utilities	324	349	673
Repairs & Main	1,678	2,009	3,687
Depreciation	686	814	1,500
Total Expenditures	<u>294,847</u>	<u>130,868</u>	<u>425,715</u>
Questioned Cost	<u>-</u>	<u>-</u>	<u>-</u>
Allowable Cost	<u>294,847</u>	<u>130,868</u>	<u>425,715</u>
Contract Payment Received	294,847	130,868	425,715
Accounts Receivable from Funding Sources	-	-	-
Excess (Shortage) Receipts over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

Community Action Kentucky, Inc.
 OCS
 Contract #90ET463-03-01
 (For Contracts Ending September 29, 2019)
 For the Period July 1, 2018 Through June 30, 2019

RPIC-CFDA 93.570		
Contract Award		<u><u>\$ 266,200</u></u>
Expenditures		
Salaries	\$ 39,095	
Fringe Benefits	15,396	
Professional Services	1,086	
Consultants/Contracts	187,866	
Education	2,010	
Travel	12,895	
Meeting	192	
Telephone	1,243	
Postage	25	
Supplies	319	
Publications	714	
Dues/Fees	28	
Insurance	1,026	
Printing	20	
Utilities	472	
Repairs & Main	2,714	
Depreciation	<u>1,099</u>	
Total Expenditures		<u>266,200</u>
Questioned Cost		-
Allowable Cost		<u>266,200</u>
Contract Payment Received		259,900
Accounts Receivable from Funding Source		<u>6,300</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>

*These funds are temporarily restricted until the contract ends SEPTEMBER 29, 2019.

See Independent Auditor's Report.

Kentucky Power Company
KPSC Case No. 2019-00366
Commission Staff's 2nd set of Data Requests
Dated December 16, 2019

DATA REQUEST

KPSC 2_4 Identify any impediments or adverse consequences if the Commission eliminated Kentucky Power's requirement that applicants for the HEART program must apply for Low Income Heating Assistance Program (LIHEAP) as one of the eligibility requirements for the HEA program.

RESPONSE

The LIHEAP application requirement serves multiple purposes. First, it helps applicants to receive the maximum available assistance. For example, additional financial assistance awarded by LIHEAP can help avoid disconnection where the amount of the home energy assistance program benefits is insufficient to do so. Second, the application requirement is used to verify applicants' income. Applicant incomes would still need to be verified if the LIHEAP application requirement were eliminated. Finally, the requirement can limit the burden on applicants. If the requirement were removed, applicants who first qualified for HEA program assistance only, and then later sought LIHEAP, would be required to provide updated information at the time of the LIHEAP application.

The elimination of the LIHEAP application requirement could reduce or eliminate these benefits.

Witness: Stevi N. Cobern

Kentucky Power Company
KPSC Case No. 2019-00366
Commission Staff's 2nd set of Data Requests
Dated December 16, 2019

DATA REQUEST

KPSC 2_5 Refer to Kentucky Power's response to Commission Staff's First Request for Information, Item 1, which indicates that there is no income requirement for the THAW program and the income requirement for the HEART program, other than HEART (Donation), is the LIHEAP maximum. Identify any impediments or adverse consequences if the Commission raised Kentucky Power's income eligibility requirement for the HEART (Donation) program from the current level to the LIHEAP maximum.

RESPONSE

The HEART (Donation) program is funded through customer contributions and as such the Company is obligated to comply with KRS 278.287. To comply with the statute funds may be distributed only to residential customers who have a total household income that is at or below one hundred ten percent (110%) of the federal poverty guidelines as defined in KRS 205.5621.

Raising the Heart (Donation) income eligibility limits to the Kentucky LIHEAP maximum, which currently is at or below 130 percent of the federal poverty level, <https://chfs.ky.gov/agencies/dcbs/dfs/pdb/Pages/liheap.aspx>, seemingly would place the HEART (Donation) program in violation of the statute for many Kentucky families.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2019-00366
Commission Staff's 2nd set of Data Requests
Dated December 16, 2019

DATA REQUEST

KPSC 2_6 Identify any impediments or adverse consequences if the Commission eliminated Kentucky Power's requirement that applicants be recertified annually and instead perform re-enrollment.

RESPONSE

The Company is uncertain of how the data request defines “recertified” and “re-enrollment.” It is Kentucky Power's understanding through conversations with CAK that a recertification process would allow a current recipient to retain his or her benefits subject only to the verification of the information necessary to determine eligibility. Current recipients would not be re-ranked in the recertification process even if their circumstances, although still within the eligibility limits, improved materially. Conversely, prior recipients would retain their slots even though an economic or other development occurred (mine closing) that created a new pool of applicants with greater economic needs. Requiring applicants to reapply each year, in conjunction with the ranking system used to award HEART benefits, thus is critical to ensuring that benefits are provided to applicants with the greatest needs.

Because customer incomes, addresses, family sizes can change over the course of a year, the same information would need to be obtained or verified whether recertification or re-enrollment is used. Thus, the recertification is unlikely to reduce the administrative burden on the local community action agencies or recipients.

Witness: Stevi N. Cobern

Kentucky Power Company
KPSC Case No. 2019-00366
Commission Staff's 2nd set of Data Requests
Dated December 16, 2019
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DATA REQUEST

KPSC 2_7 Based upon its experience, explain what Kentucky Power believes are the ideal HEA eligibility requirements.

RESPONSE

Eligibility requirements are directly tied to the need to be addressed by a home energy assistance program. This can be illustrated by the differing eligibility requirements of the Company's HEART and THAW programs. THAW was established to help a subset of customers who do not require the broader and more sustained help provided by HEART. These customers nevertheless are at risk of losing their electric service because of a temporary condition. THAW eligibility requirements are thus less rigorous than those for HEART.

Certain requirements are nevertheless necessary for any HEA program to maintain integrity:

Kentucky Power Company
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 Dated December 16, 2019
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Requirement	Justification
Active Utility Customer (Residential)	To ensure benefits are applied to persons receiving service from Kentucky Power.
Not have service disconnected.	Because active accounts are closed seven days after disconnection this requirement ensures benefits can be applied to an active account. It also directs program funds to maintain service for an active account as opposed to only reducing a debt owed the Company.
Agree that no benefit will be paid in cash to the participant	To ensure benefits are applied to their intended purpose.
Income and Account Status Parameters	<p>Limit distribution to only those for whom funds can provide meaningful help. The income parameters may vary based on the specific purpose of each program.</p> <p>For the HEART program there are two requirements that work in tandem to meet this goal:</p> <p>a) Applicants' income must be less than the LIHEAP maximum. This ensures that the recipient has a true financial need; and</p> <p>b) The account must be no more than 59 days in arrears to ensure that funds will provide meaningful help to the recipient in maintaining service and not simply reduce a debt owed Kentucky Power.</p> <p>Because THAW is designed to mitigate the impact of short-term crises or financial hardships it lacks a formal income requirement. Instead, the local community action agencies evaluate the nature of the hardship.</p>
Limit customers to one HEA program benefit	This requirement helps make benefits available to more applicants. It also encourages applicants to enroll in the program that would benefit them the most.

Witness: Stevi N. Cobern

DATA REQUEST

KPSC 2_8 Provide changes Kentucky Power believes are necessary to ensure the available funds are fully, but properly, expended for the benefit intended.

RESPONSE

Existing program requirements and procedures are intended to ensure benefits are properly expended for the benefit intended. The Company has been working with CAK to improve these procedures. These discussions typically occur at the conclusion of each program year.

Kentucky Power also is working to limit the amount of current year funds that are rolled over to the succeeding year. Doing so is contingent on outreach and other communications. Changes that could build on ongoing efforts to improve communication and outreach include:

- Communicate the programs effectively, efficiently and timely. This means targeting communications to those customers most likely to benefit from the programs. The Commission's website offers a resource to all of Kentucky and represents an underutilized tool to promote available HEA programs.
- Frequent evaluation (and streamlining if needed) of eligibility requirements to ensure programs do not become unintentionally limiting.
- Frequent evaluation (and streamlining if needed) of administrative processes to ensure the maximum value is brought to participants.
- Flexibility in administration processes to allow funds to be transferred between local agencies to address changing dynamics between county to county participation.

The Company has begun implementing these practices. In May 2019, the Company met with CAK and several CAAs to discuss the HEART and THAW programs. At that meeting two general areas for program improvement were identified: 1) alleviate administrative burden; and 2) further improve customers' experience.

Based on these discussions the Company proposed small changes to its HEA eligibility requirements in Case Number 2019-00245. The requested changes were approved by Commission Order dated September 11, 2019.

Kentucky Power Company
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Of particular note was the removal of the HEART requirement for participants to enroll in Kentucky Power's Average Monthly Payment (AMP) Plan. At the close of the program year many CAAs reported that otherwise eligible applicants were electing not to enroll in HEART due to this requirement and, since many HEART participants are on a fixed income, the intent to move off HEART through AMP was not being achieved.

Witness: Stevi N. Cobern

